

D.P.U. 94-6C

Application of Massachusetts Electric Company:

(1) under the provisions of G.L. c. 164, § 94G and the Company's tariff, M.D.P.U. No. 797, for approval by the Department of Public Utilities of a change in the quarterly fuel charge to be billed to the Company's customers pursuant to meter readings in the billing months of October, November, and December 1994; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for the purchases of power pursuant to 220 C.M.R. 8.00. The rules established in 220 C.M.R. 8.00 set forth the filings to be made by electric utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978.

APPEARANCES: Thomas G. Robinson, Jr., Esq.
New England Power Service Company
25 Research Drive
Westborough, Massachusetts 01582-0005
FOR: MASSACHUSETTS ELECTRIC COMPANY
Applicant

I. INTRODUCTION

On August 26, 1994, pursuant to G.L. c. 164, § 94G and 220 C.M.R. 8.00 et seq., Massachusetts Electric Company ("MECo" or "Company") notified the Department of Public Utilities ("Department") of the Company's intent to file a quarterly change to its fuel charge in conformance with its tariff, M.D.P.U. No. 797, and to its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. No. 859-B. The Company requested that both these changes be effective for bills issued pursuant to meter readings for the billing months of October, November and December 1994. The matter was docketed as D.P.U. 94-6C.

Pursuant to notice duly issued, a public hearing on the Company's application was held on September 26, 1994, at the Department's offices in Boston.¹ Notice of the hearing was published by the Company in the Boston Herald, Worcester Telegram, Lynn Item, Lawrence Eagle-Tribune, Berkshire Eagle, Springfield Daily News, and the Patriot Ledger. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings. No petitions for leave to intervene were filed.

At the hearing, the Company sponsored one witness: Pamela A. Viapiano, rate analyst, New England Power Service Company ("NEPSCo"). The evidentiary record consists of one Company exhibit and three record requests.

MECo, a wholly owned subsidiary of New England Electric System ("NEES"), serves on

¹ For purposes of the hearing only, this matter was consolidated with the Company's oil conservation adjustment charge proceeding, D.P.U. 94-10C.

average 906,036 customers in its service territory, which includes over 146 cities and towns located predominately in northeast and central Massachusetts. NEES's other subsidiaries, affiliates of MECo, include New England Power Company ("NEP"); Granite State Electric Company in New Hampshire; Narragansett Electric Company in Rhode Island; NEPSCo, which provides engineering, technical, and other services for NEES companies; and New England Energy, Inc. MECo purchases all of its power requirements at wholesale from NEP pursuant to rates regulated by the Federal Energy Regulatory Commission ("FERC"). MECo does not own or operate any generating units.

II. FUEL CHARGE

On August 26, 1994, the Company filed with the Department its proposed changes to its fuel charge and QF power purchase rates for October, November and December 1994. For these billing months, the Company proposes a fuel charge of \$0.02466 per kilowatthour ("KWH"). The proposed fuel charge is \$0.00031 per KWH less than the fuel charge of \$0.02497 per KWH approved by the Department in Massachusetts Electric Company, D.P.U. 94-6B (1994) for meter readings for the billing months of July, August, and September 1994 (Tr. at 7) .

Ms. Viapiano stated that the Company projects lower overall fuel costs in the fourth quarter than were projected in the third quarter (Exh. M-1, at 7). According to Ms. Viapiano, although estimated delivered oil prices are \$1.37 higher per barrel than was estimated for the third quarter, the following factors offset this increase: (1) significantly higher estimated hydro production in the fourth quarter; (2) the return to service of the low-fuel-cost Seabrook nuclear unit after its scheduled refueling outage during the third quarter; and (3) a projected increase of \$2.1 million in revenues from pipeline capacity sales, which offsets NEP's total fuel costs (id.; Tr. at 8).

III. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. 8.00 et seq., rates to be paid to QFs for short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the FERC in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02. Pursuant to the governing regulations, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total-period rate, which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b).

The Company has proposed the following standard rates to be paid to QFs during October, November, and December 1994:

Energy Rates by Voltage Level (Cents/KWH)²

² At the hearing, Ms. Viapiano indicated that the Company had been incorrectly applying line-loss factors to the energy rates when calculating rates at each voltage level (Tr. at 9-10). According to the Company, the correct application of line-loss factors, as reflected in (continued...)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Average Over Total Period</u>
Transmission	2.459	2.012	2.175
Subtransmission	2.506	2.026	2.202
Distribution	2.607	2.073	2.270
Secondary	2.626	2.081	2.283

(Exh. M-1, at 67).

In the Company's initial filing, an equivalent availability factor ("EAF") of 86.5 percent for a gas turbine was used to determine the short-run capacity rates (Exh. M-1, at 73). In response to Record Request DPU-2, the Company recalculated the short-run capacity rates to reflect an updated EAF of 90 percent for a gas turbine, based on the latest annual update of the Generation Task Force Assumptions book. The Department finds it appropriate that the Company calculate short-run capacity rates consistent with the calculation in Record Request DPU-2.

Short-Run Capacity Rate (Cents/KWH)

<u>Voltage Level</u>	
Transmission	2.515
Subtransmission	2.589
Distribution	2.759
Secondary	2.784

(RR-DPU-2).

IV. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings

²(...continued)

Exhibit M-1, at 67, reduces the rates at the subtransmission, distribution and secondary voltage levels (id. at 23).

for the billing months of October, November, and December 1994, shall be \$0.02466 per KWH.

The calculation of the fuel charge is shown in Table 1 attached to this Order.

2. that the qualifying facility power purchase rates for October, November, and December 1994, shall be the rates set forth in Section III above.

V. ORDER

Accordingly, after due notice, hearing, and consideration, it is

ORDERED: That Massachusetts Electric Company is authorized to put into effect a quarterly fuel charge of \$0.02466 per KWH as set forth in Section IV, Finding 1 of this Order for bills issued pursuant to meter readings for the billing months of October, November, and December 1994, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' electric bills; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of October, November, and December 1994, shall be those set forth in the Table on page 4 of this Order; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, §§ 94G (a) and (b), the fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charges.

By Order of the Department,

Kenneth Gordon
Chairman

Mary Clark Webster
Commissioner